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CENTRAL INTELLIGENCE AGENCY

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in the Far East)**

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1. In Shanghai, as is probably the case in all China and throughout the Far East, Torgpredstvo controls all Soviet economic representations and establishments. Included among these are:

- a. Exportkhleb (All Union Grain Export Association), 9 Avenue Edward VII
b. Inturist (Government Tourist Bureau), 9 Avenue Edward VII
c. Sovkino (Sovexportfilm), 51 Canton Road, and its subsidiary, Asia
China, also at 51 Canton Road
d. Moscow Narodny Bank, Ltd., 9 Avenue Edward VII

Films of China, also at 51 Canton Road

2. During World War II, Torgprodstro ceased to function in Japanese-occupied territory but the other above-named economic representations continued their work. Their commercial activity was necessarily limited but the employees of these organizations are reported by the Japanese to have carried on espionage work under the direction of Major V. M. Konstantinov, manager of Inturist, his assistant D. S. (or V. S.) Voinov, manager of Exportkhleb, and M. V. Mikhayev, director of the Shanghai branch of the Moscow Narodny Bank and reportedly head of Gosbez in Shanghai. In 1942 the Japanese uncovered what they called a "considerable Soviet spy organization" which included J. Pevzner and I. V. Kolotashvili, employees of Inturist; V. T. Yetrov, manager of the Shanghai branch of Tass, W. G. Vladimirov, former Torgpred, V. V. Sergeyev, correspondent of Pravda, and other Soviet and non-Soviet foreign nationals. Although the ring leaders, Konstantinov and Mikhayev, were not caught by the Japanese, the other members of the ring were imprisoned as Soviet espionage agents.

3. The predecessor organization of Torgpredstvo, or more exactly of Exportkhleb, was known as Centrosoyuz. As in the case of Torgpredstvo it seems to be fairly well established that Centrosoyuz was used as a cover for intelligence activities. But whereas Centrosoyuz was a well-directed organization actively carrying on its trade functions, Torgpredstvo seems to have little or no direction in the field of economic activity and to carry on very few of the functions of a trade mission. One of the functions of Centrosoyuz was to provide funds for Comintern work. The sale of goods which were imported by Centrosoyuz into China and dumped on the market made available huge sums of money for Comintern work. When in 1939 Exportkhleb replaced Centrosoyuz in China the practice of dumping goods on the

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market was discontinued and Exportkhleb sold goods at market prices and bought strategic materials for shipment to the USSR. However, imports always exceeded exports and surplus funds were used for Comintern work. It is believed that Torgpredstvo, likewise, uses many of its personnel, as well as its funds, for Comintern intelligence work.

4. In addition to providing funds and personnel for the work of Soviet intelligence organizations, Torgpredstvo is believed to serve as cover for the individuals sent abroad to serve as control of the secret representations and the persons working therein. Each USSR representation abroad has many forms of control besides the control exercised by the ministry responsible for the overt duties of the mission. Because an economic representation affords its personnel ease of movement and flexibility of action, such representations, particularly Torgpredstvo, are believed to be the traditional centers of Communist Party control. It may be that at present the Party representative in Torgpredstvo is also serving as the resident agent for KGB. Possible proof of the presence of such an individual within Torgpredstvo is the fact that the final list of persons permitted to be repatriated from Shanghai to the USSR was checked by the Torgpredstvo office rather than by the Soviet Consulate.

5. The actual functions of Torgpredstvo in its capacity as a USSR Trade Representation in China vary with the locality. If the actual interest of Torgpredstvo in a given area is the purchasing of important and needed goods then the office is staffed with persons who are capable of handling such transactions. Examples of such areas are Sinkiang, Foochow, Hong Kong and Singapore. Even in the Torgpredstvo offices in such areas, however, it is indicated that certain of the personnel may have additional duties in connection with intelligence and underground Comintern activities. On the other hand, in the case of Shanghai the volume of trade handled here between China and the USSR is relatively small and yet a very large Torgpredstvo staff is to be found. Shortly after the end of the war the Shanghai office of Torgpredstvo had a staff of about sixty persons. This has been reduced at the present time to about forty persons of whom about twenty-six are locally hired Soviets with the remainder coming from Moscow. Although nominally Nanking is listed as the head office of Torgpredstvo in China, actually the Shanghai office is the head office.

6. The present head of Torgpredstvo in China is D. Ya. Shcherbina. Before his appointment to China he was reportedly economic adviser to the Ministry of Foreign Trade in Moscow. Shcherbina's deputy, I. A. Markelov, although officially assigned to Nanking, has remained in Shanghai but is seldom seen at the office. Another high official on the staff is L. E. Semenas who divides his time between Nanking, Shanghai, and North China. Head of the Shanghai office of Torgpredstvo is A. N. Arinichev who is responsible to Markelov and Shcherbina. Under Arinichev are four sections. The first of these is the main secretariat of the Shanghai headquarters composed exclusively of Moscow-hired personnel. The second section is composed of locally-hired employees of Soviet citizenship under the supervision of M. S. Dobrokhotov. This section prepares daily and weekly reports covering all aspects of economic conditions in Shanghai which are sent through Arinichev to Markelov and Shcherbina and thence to the Embassy and to Moscow. The other two sections under Arinichev are the Chinese interpreters' section and the press section. Both are staffed by Chinese personnel and serve as liaison with various Chinese agencies and enterprises in Shanghai.

7. There is a strong feeling on the part of the locally-hired Soviet citizens in the Torgpredstvo offices that Torgpredstvo in China is not interested primarily in economic and trade matters, at least not those persons assigned to the office from Moscow. This feeling is based on the following:

(a) Only Arinichev and Markelov and the three Moscow dispatched trade experts are in daily contact with the locally-hired staff. Some of the staff sent from Moscow have never even been introduced to the local employees. While the members of the local staff go for weeks without any specific or organized work to do, the personnel sent out from the USSR are usually occupied with tremendous amounts of work, so much so that they are required to work overtime every day.

(b) Moscow-dispatched personnel from the Consulate are in daily contact with Moscow-dispatched personnel of Torgpredstvo. Vice Consuls Sergeyev and Chernoborov, Consulate Secretary Matkov, for example, come almost daily to the Torgpredstvo offices; Sergeyev has even spent periods of time working in the Torgpredstvo office. The

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apparently interested in trade matters.

(c) The list of repatriates was checked by Torgpredstvo, but not by the local staff.

(d) Various persons use various entrances to the office building.

8. As of the middle of January 1948 the personnel working in the Shanghai office of Torgpredstvo included the following:

Dimitri Ya. Shcherbina, Director, Torgpredstvo, China
 Ivan Alekseyevich Markolov, Deputy Director, Torgpredstvo, China
 Aleksander Alekseyevich Arinichev, Director, Shanghai Branch of Torgpredstvo, China
 Anatoli Vesilevich Kochin, Assistant to the Director, Arinichev
 Aleksei Andreyevich Panteleimonov
 Nikolai Aleksandrovich Obraztsov
 Dimitri Bykov (Pykov)
 Timofei Yakovlevich Cheburakov, actually in charge of Inturist
 Sergei Lubimov
 Yuli Mikhailovich Stupin
 Anna Assonova
 Yulia Aleksandrovna Soboleva
 Eugeni Feodorovich Sharov
 Mrs. Kovalenkova
 I. Ya. Kovalenko, actually assigned to Exportkhleb, Hongkong
 P. I. Sizov, actually assigned to Exportkhleb, Hongkong, since gone to USSR
 M. S. Dobrokhotoy, economic specialist
 P. Selivanov, bookkeeper, arrived in Shanghai with Shcherbina and is his trusted man.
 George Lovchenko, building superintendent
 I. I. Druri, technical consultant
 M. Kornilitsin, bookkeeper
 V. E. Ryazantsev, employee

9. The following are some of the business firms in Shanghai with which the Shanghai office of Torgpredstvo has dealings or connections:

Union Steamship Agency, 51 Canton Road
 Haden Development Company, Limited, 125 Hankow Road, agent of Sovtorgflot
 Skoda Works, Limited, 9 Chung Shan Road
 Grnipol Trading Company, 9 Chung Shan Road
 United Transporters of Shanghai, 100 Jinkoo Road
 Oriental Express Company, 45 Kiukiang Road
 Millers Company, 106 Peking Road, East
 Finance and Investment Company, Limited, 9 Edward VII
 China Trading and Investment Company, Limited, 51 Canton Road
 Railtotat Company, 83 Peking Road, East, with delivery department at 51 Canton Road
 Commercial Express and Storage Company, Limited, 53 Yuen Ming Yuen Road
 Soviet Citizens Trade Association, 9 Edward VII